



2021 AGM

January 25, 2021, 2:00 PM MST

Mission Statement:

To promote the interests and foster appreciation of the Alberta Craft Distilling industry through advocacy, public awareness and positive relationships with agricultural producers, other industry associations, businesses, media and the government.

Ensure the long term viability of the craft distilling industry in Alberta through positive federal and provincial advocacy aiming to achieve fair access to markets and positive investment environments.

Zoom Etiquette

- Use headphones to avoid feedback in your audio while speaking
- Turn your mics off unless speaking
- Treat everyone with respect
- One person speaks at a time, use the wave or chat functions to identify yourself instead of interrupting
- On any given subject, you will be given up to 2 minutes to speak, as we need to keep the meeting moving. After 2 minutes I may mute you and move on
- There will be time after the meeting to chat together, so everyone will have a chance to speak their truth

Agenda

1. Call to Order
2. Approval of the Agenda
3. Approval of 2020 Minutes
4. State of the Industry – Ross Alger, President
5. Value of a Cohesive Organization – Yannis Karlos, Board Member
6. Roundtable 3 Issues per Distillery
7. ACDA Spirit Awards – Bryce Parsons, Secretary
8. Financial Position Update & Approval of Financial Statements – Keith Robinson, Treasurer
9. Board Elections – 3 positions available
10. Adjournment
Post meeting discussion on Markup & Liquor Connect

2020 AGM Minutes Approval

State of the Industry

Ross Alger, P. Eng.

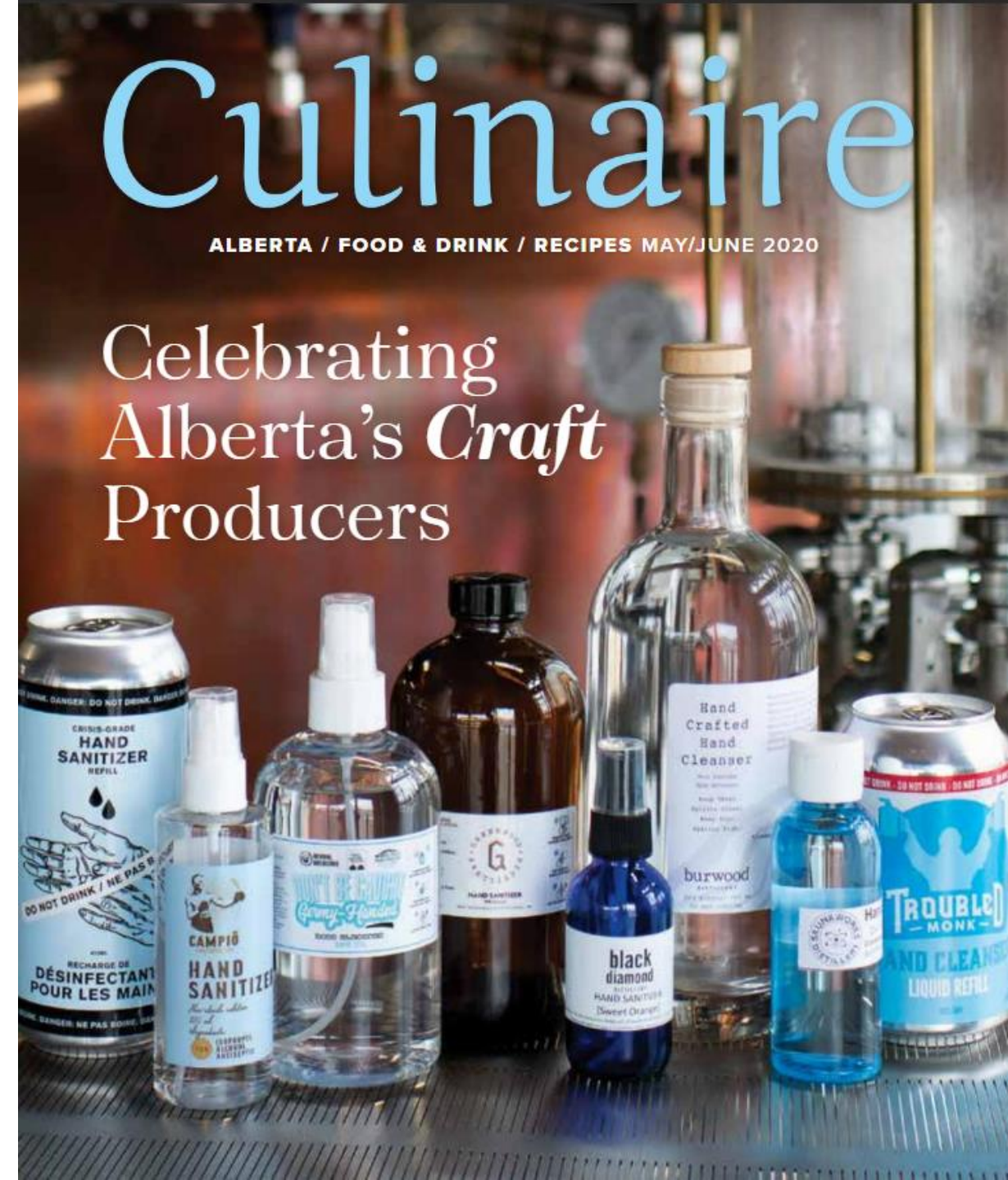
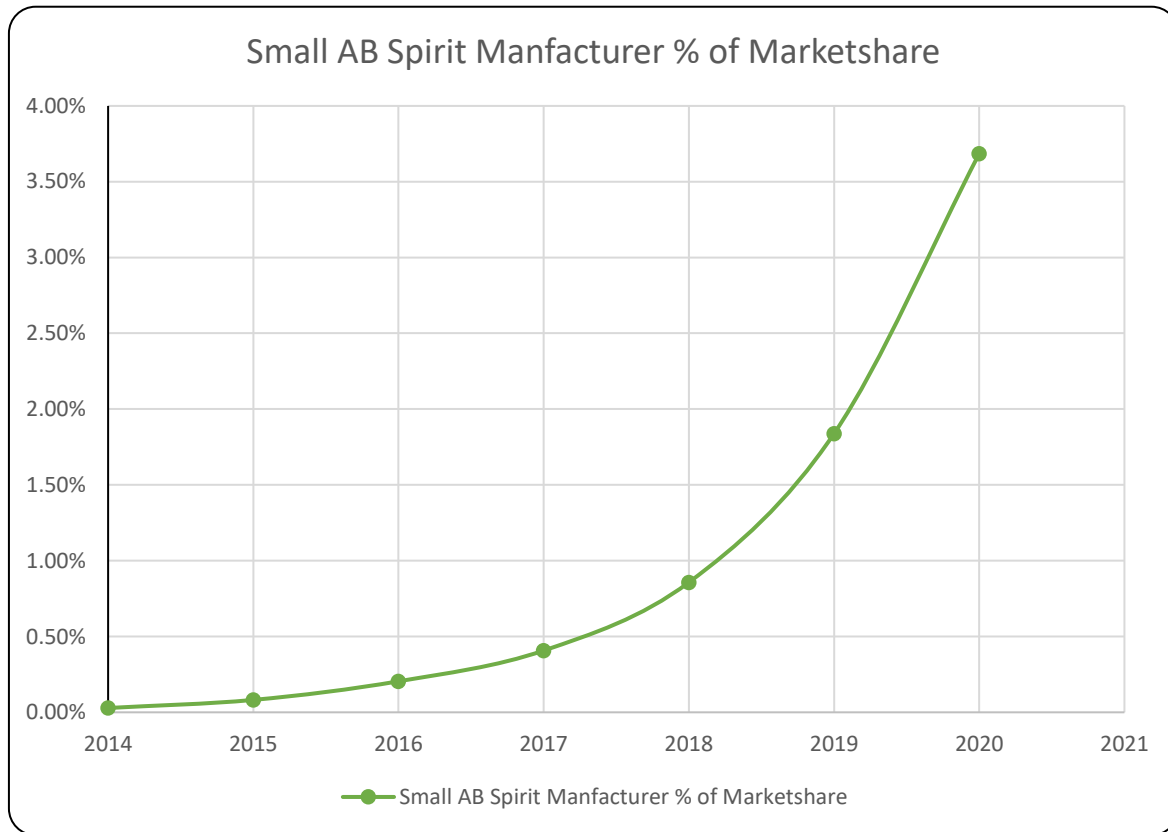
ACDA President

Confluence Distilling, Calgary

State of Industry – Influencing Factors

- COVID-19
- AGLC
 - 80/20 Rule Removal
 - Remittance Proposal
 - Small changes
- Provincial Government
 - Red Tape Reduction Committee
 - Interprovincial Trade
- Federal Escalator Excise
- ASBA Collaborations
- Internal Debate

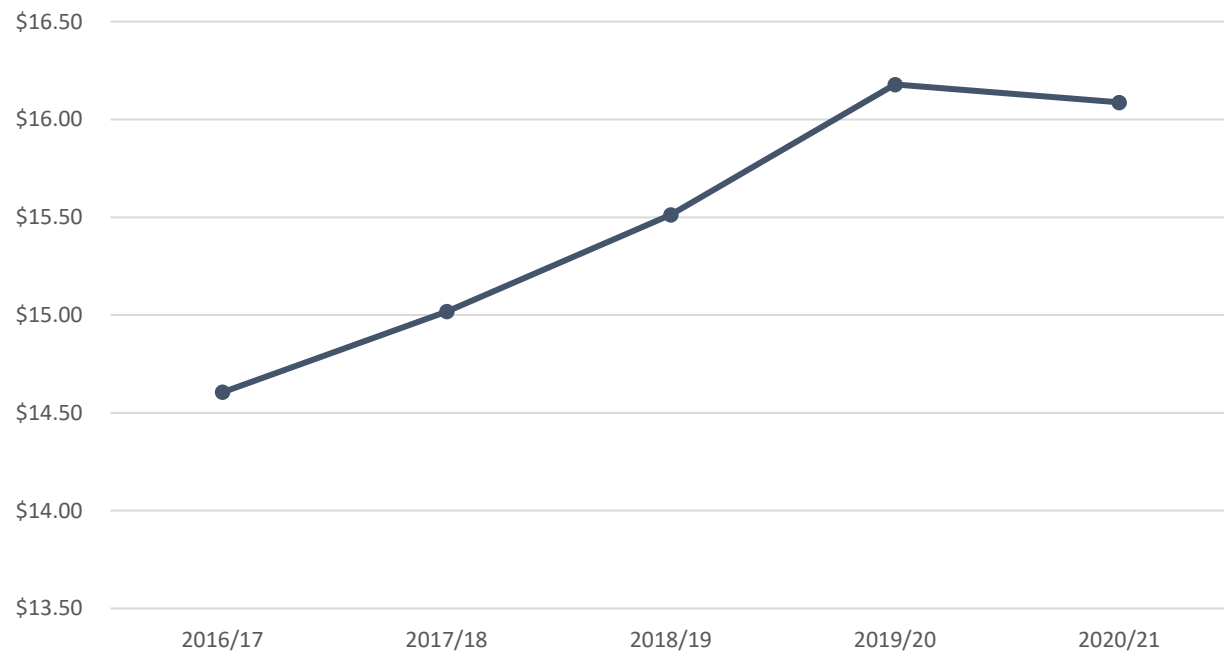
State of the Industry – Success during COVID



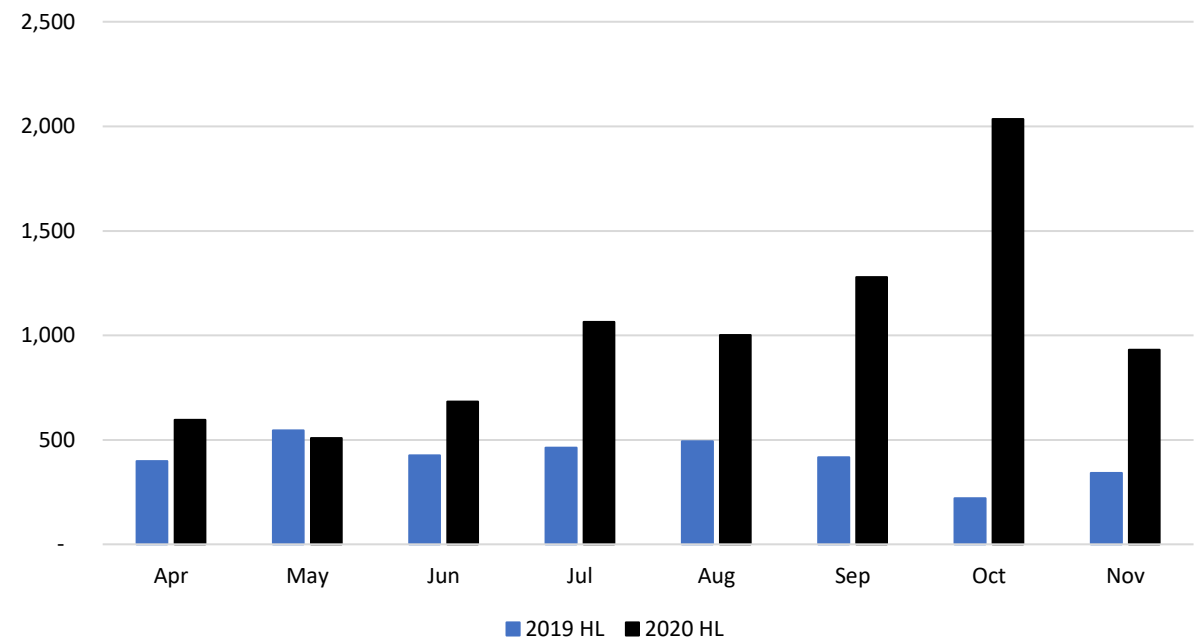
State of the Industry – Success during COVID

- 80/20 removal allowed Small producers to capture consumer trend of lower priced products

Average Cost per Litre of Spirits Sold (2016 - 2020)



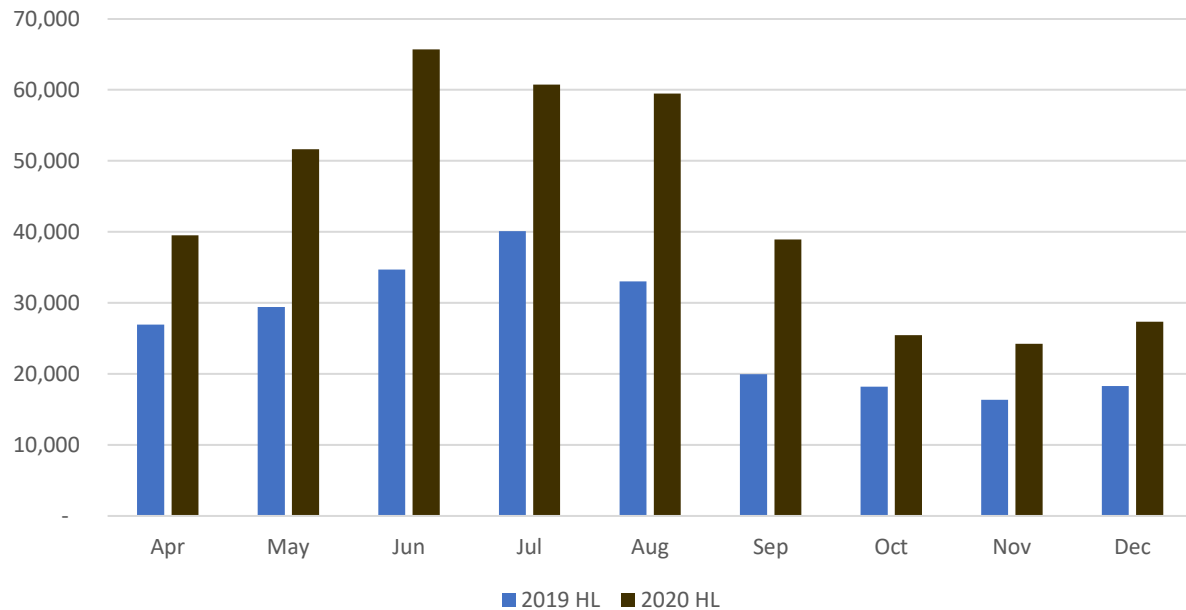
2019 vs 2020: AB Small Manufacturer Spirit Sales



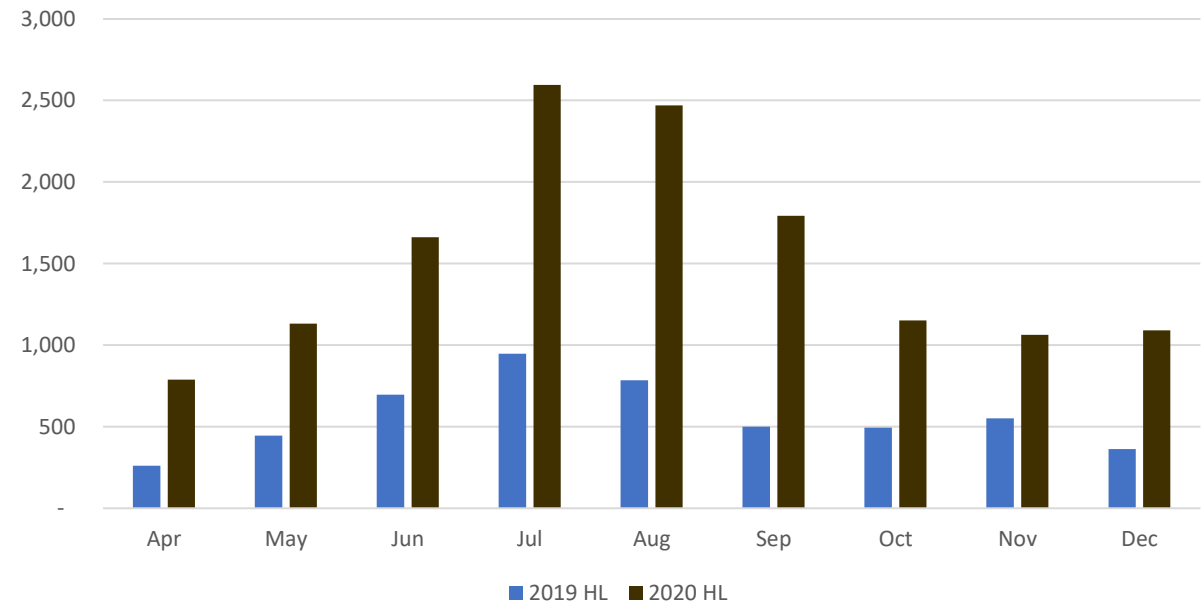
State of the Industry – Success during COVID

- RTD market explosion
- 66% increase in total sales YOY
- 173% increase in small manufacturer sales YOY

2019 vs 2020: TOTAL Cooler Sales in Alberta (April - Dec)



2019 vs 2020: AB Small Manufacturer Cooler Sales (April - Dec)



State of the industry – Competing Globally

- Without the 80/20, we're no longer just competing in the Alberta producer bubble
- Competing totally against the world without much advantage,
 - Our only advantage – farmgate markup pricing
 - Also a disadvantage due to distribution limitations

AGLC/ Provincial Government

- Remittance proposal
 - ACDA position: disadvantage of losing AGLC as a collector outweighs the advantage of no AGLC payment delay
 - Conversation continues with AGLC and other associations to solve internal Class E to Class A transfer payment delays
- Other changes
 - Class A Off-sales -> Distilleries allowed second Class D location
 - Class A Cocktail Off-sales
 - Discussion continues about double payment of alcoholic cocktail ingredients from Class E production
 - Reforms to Farmer's Market legislation
- Attempts to increase interprovincial trade

Federal Excise Tax

- Currently under an escalator tax, increasing every year without Parliament approval
- ACDA, other provincial organizations, and Spirits Canada are aligned on removing this escalator
- Work has been done federally (mostly by spirits Canada) to pause the escalator for 2021 due to COVID, with the intention of stopping it entirely

ABSA Collaboration

- Access to members portal for message forum and equipment exchange forum
- AJ Gallagher Insurance Group Plan Benefits
- RTD's are now in ASBA Beer Awards
- Looking to work together on ACDA Spirit Awards

Internal Debate

- Lots of internal debate within Albertan Distillers since the removal of the 80/20 rule
- Internal conflict cripples everyone
- Working together, regardless of production methods or market strategy, is the only way forward. The ACDA was only able to get us Farmgate and other successes because we approached the government as a single cohesive voice

Value of Cohesion

Yannis Karlos

ACDA Board Member

Park Distillery, Banff

Distillery Issues

Round Table

ACDA Spirit Awards

Bryce Parsons

ACDA Secretary

Bearhill Brewing, Various locations

Spirit Awards

- September 2021
- Submissions summer 2021
- Double blind
- Not including RTDs this year
- Categories:
 - Best in Class
 - Producer of the year
 - Industry Contribution Award
 - Packaging Award
 - Industry Personality Award
 - Gin
 - Contemporary
 - Dry
 - Aged
- Vodka (made from raw ingredients)
- Whiskey
 - Young
 - >3 year
 - All Malt
 - All Grain
 - Blended
- Fruit Spirits
- Speciality Amaro/Vermouth
- Speciality Botanical Spirit/Aquavit/Absinthe
- Liqueurs
- Bottled Cocktails (over 11.9%)

Financial Statements

Keith Robinson

ACDA Treasurer

Wildlife Distillery, Canmore

Board Election

Board Election

- Half the board is up for re-election this year – 3 seats
- Using Election Buddy to run online election
 - Ballots will be sent by email
 - Have 24 hrs to submit ballot
- As per bylaws, members have one month to pay dues or vote will not count
 - If you don't intent to pay, then abstain from voting
- Unofficial results on Wed.
- Official results confirmed on March 1st
- Incumbents:
 - Bryce Parsons – Bearhill
 - Yannis Karlos – Park
 - Charlie Bredo – Troubled Monk
- Self Nominated:
 - Brian Anderson – Lone Pine
 - Manjit Minhas – Minhas
 - Susan Ransom – Krang
 - Jordan Ramey – Burwood
 - Others??

Adjournment

Thank you for attending!

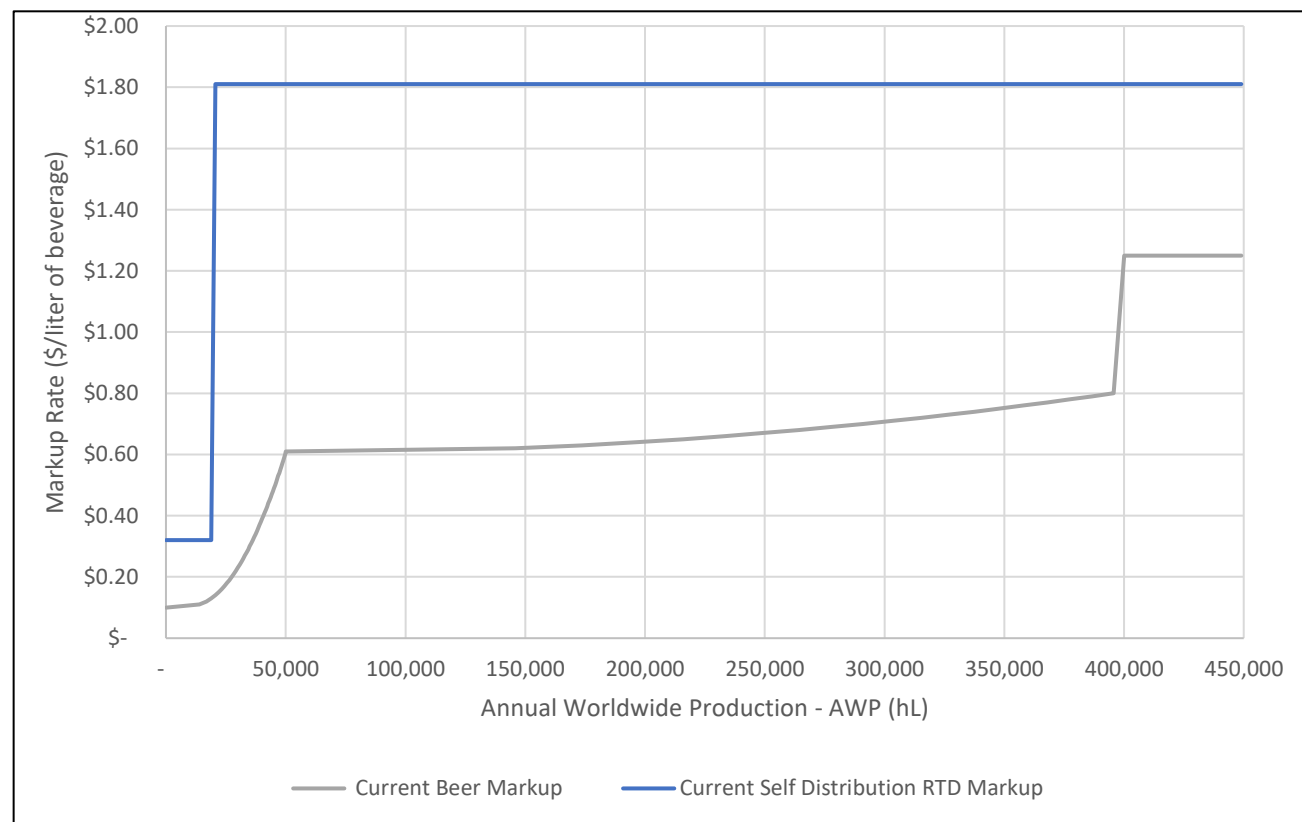
5 min break +
Open Discussion

Markup

- Opportunity to request changes in markup for spirits and RTDs
- Distillers looking for access to Liquor Connect with reasonable Markup
- Beer Markup is significantly more advantageous than our Farmgate
- Spirit Canada lobby hard against NGS repackagers benefitting from Farmgate
- Provincial Government has no appetite for losing revenue in a change

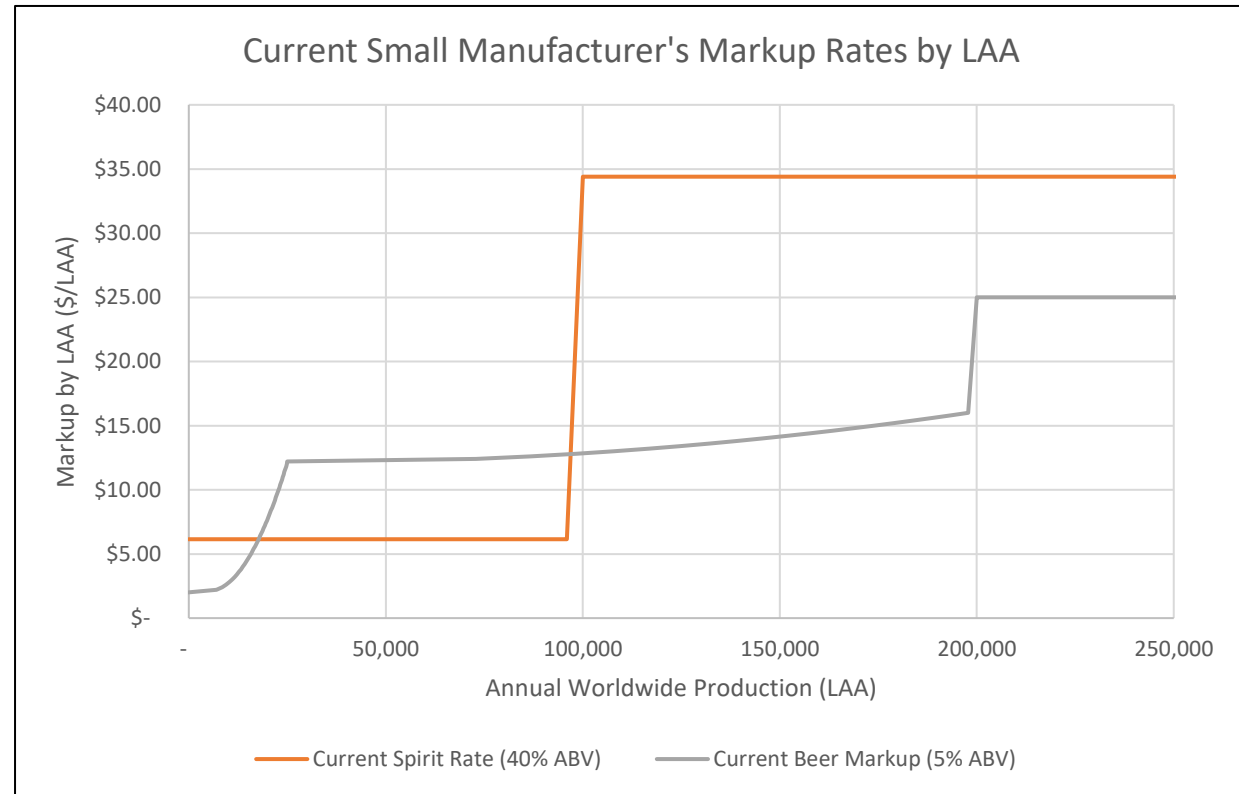
Markup – Refreshment Beverage/Cider/RTD

- Market Size ~450,000hL in AB, Small producers ~20,000hL
- Massive potential growth in RTD production
- RTD is charged between 2.3x and 12.9x more Markup on any sale
- ACDA looking for beer parity at least up to 50k hL
- Need to work with ASBA and Cideries/Kombucheries to lobby



Markup – Spirits

- Market ~300,000hL
 - Small ~8,000 hL
- Liquor Connect access to expensive
- Step increase at 100,000 LAA
- Majority of distillers pay 3x more than equivalent brewer
- Units in hL not LAA
- ABV categories are arbitrary and archaic



Markup – Spirits

- ACDA Recommendation

- Rate independent of distribution method (which allows non-Albertans to gain benefit)
- Rate based on Annual Worldwide Sales (AWS), not AWP
- Rate based on a formula instead of tiers to avoid step increase in markup
- Rate based on LAA (no ABV categories)

- Saskatchewan

- License Types:
 - 100% craft - type 1
 - 75/25% craft - type 2
 - Packager type
- Graduated rate based on AWS as well as license type

Markup – Spirits

- How to support grain-to-glass producers
 - Revert to 80/20 style?
 - Mimic Sask with multiple license types?
 - Grants?